



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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Division Director

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Governor

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May 19, 2006

CERTIFIED RETURN RECEIPT
7004 2510 0004 1824 3816

Kennecott Utah Copper
Paula Doughty
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044-6001

Subject: Five-Year Review of Reclamation Surety Estimate, Kennecott Utah Copper, M/045/004, Task # 437, Tooele County, Utah

Dear Ms. Doughty:

Thank you for providing the information requested for the five-year review of the Carr Fork/Pine Canyon Mine. The Division finds based on the information reviewed along with a site visit, that the only changes required for the reclamation cost estimate is a five-year escalation. The surety escalated to the year 2011 is \$124,000. A Surety Estimate Update is attached for your use. Please provide the updated surety within 60 days or no later than July 18, 2006.

Please contact Beth Ericksen at (801) 538-5318 (BethEricksen@utah.gov) to obtain the current bonding forms and information to amend the reclamation contract. Current bonding forms and information are also found on the Division's web page at <http://ogm.utah.gov/minerals/>. Please fax a "draft" copy of the documents to (801) 359-3940 for review prior to finalizing the surety.

If you are unable to provide the surety within this timeframe, please contact the Division with justification for requesting additional time. Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,

Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW:pb

Attachment: Surety estimate update

cc: Doug Jensen, DOGM

Beth Ericksen, DOGM

P:\GROUPS\MINERALS\WP\M045-Tooele\M0450004-PineCanyonMine\Final\05182006bond-escal.doc

SURETY ESTIMATE UPDATE

Kennecott Utah Copper

18-May-06

Carr Fork/Pine Canyon Mine FILE # M/045/004

Tooele County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

10/11/2001

DESCRIPTION:

- Previous reclamation surety estimate was \$120,800 in year 2001 dollars
- Reclamation Estimate base amount calculated in 2001-\$
- This update adjusts the surety amount for escalation only.

Reclamation of 3 power poles, 200 ft of 16 inch pipe, & 7'X25' concret pad added in 2001.

- Escalation factors through 2006 are actual Means Historical Cost Indices
- Total disturbed area = 17.3 ACRES

CALCULATIONS F = P(1 + i)**n	YR	ESCAL FACTOR	BOND AMOUNT
	1995	0.0193	\$0
F = Future Sum	1996	0.0242	\$0
P = Present Sum	1997	0.0236	\$0
i = Escalation Factor	1998	0.0502	\$0
n = number of periods	1999	0.0191	\$0
	2000	0.0244	\$0
Three Yr Average =1.60%	2001	0.0421	\$103,577
Used to Project 5 Yrs	2002	0.0202	\$105,669
From the Year 2006	2003	0.0171	\$107,476
	2004	0.0084	\$108,379
	2005	0.0399	\$112,703
	2006	0.0160	\$114,507
	2007	0.0160	\$116,339
	2008	0.0160	\$118,200
	2009	0.0160	\$120,091
	2010	0.0160	\$122,013
	2011	0.0160	\$123,965
Updated Surety Amount Rounded (2011-\$)			\$124,000

** Average cost per acre = 7166 (\$/ACRE)